

Message Text

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73

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06

SIL-01 HEW-08 AGR-20 SWF-02 TAR-02 DRC-01 (ISO) W

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R 090718Z MAY 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3168

INFO AUSMISSION OECD PARIS 630

AMEMBASSY WELLINGTON

CINCPAC

AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

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CINCPAC FOR POLAD

SYDNEY ALSO PASS USTC

E.O. 11652: N/A

TAGS: EGEN, PINT, AS

SUBJ: DEVELOPMENTS ON ECONOMIC ISSUES IN
AUSTRALIAN ELECTION CAMPAIGN

REF: CANBERRA 2591

1. SUMMARY: THIS MESSAGE SUMMARIZES HIGHLIGHTS OF
ECONOMIC DEBATE DURING PAST WEEK IN AUSTRALIAN
ELECTION CAMPAIGN. ESSENTIALLY DURING THIS PERIOD
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LIBERAL/COUNTRY OPPOSITION APPEARS TO HAVE SUCCEEDED

IN MAKING DOMESTIC ECONOMIC MANAGEMENT AND INFLATION THE CENTRAL ISSUES AND INDUCED PRIME MINISTER AND ALP TO SHIFT EMPHASIS TO THESE QUESTIONS. PRIME MINISTER MADE ONE SHARP ATTACK ON FOREIGN INVESTMENT ISSUE MAY 2 BUT HAS SINCE CONCENTRATED ON COUNTERATTACKING LIBERAL/COUNTRY CHARGES AND PROPOSALS RESPECTING INFLATION. IN THE COURSE OF SUBSEQUENT EXCHANGES, PRIME MINISTER HAS COMMITTED ALP TO INCOME TAX REDUCTIONS IN 1974-75 AND TO MANDATORY PRICE CONTROL POWERS WHILE CONTENDING INFLATION HAS ALREADY TURNED DOWN UNDER HIS GOVERNMENT, AND CHARGING LIBERAL/COUNTRY PROPOSALS FOR PRICE WAGE FREEZE WOULD DESTROY ESTABLISHED SYSTEM OF CONCILIATION AND ARBITRATION MACHINERY. END SUMMARY.

2. IN MAY 2 PERTH SPEECH PRIME MINISTER MADE HIS SHARPEST ATTACK TO DATE ON ROLE OF MULTINATIONALS IN AUSTRALIA AND PROMISED IF RE-ELECTED TO ESTABLISH BROAD SCREENING MACHINERY TO COVER FOREIGN TAKE-OVERS, NEW DIRECT FOREIGN INVESTMENT, AND SIGNIFICANT EXTENSIONS OF EXISTING FOREIGN INVESTMENT. PRESENT TAKE-OVER PROCEDURES WOULD BE BROADENED TO COVER PURCHASE OF ASSETS IN ADDITION TO PURCHASE OF SHARES, AND TO REQUIRE REVIEW OF ANY ATTEMPT BY FOREIGN COMPANY TO DIMINISH AUSTRALIAN INTEREST IN A COMPANY. IN SAME SPEECH PRIME MINISTER ANNOUNCED THAT INDUSTRIES ASSISTANCE COMMISSION HAD BEEN DIRECTED TO REVIEW THE ENTIRE QUESTION OF APPROPRIATE ASSISTANCE TO THE MINING INDUSTRY INCLUDING TAX CONCESSIONS AND ROYALTIES.

3. SINCE MAY 2 ASSAULT SPOKESMEN HAVE CONCENTRATED ON RESPONDING TO LIBERAL/COUNTRY ANTI-INFLATION PROPOSALS. RESPONSE HAS INCLUDED CLAIMS OF PROGRESS AGAINST INFLATION TO DATE, COMMITMENTS TO NEW TAX AND PRICE CONTROL MEASURES, AND CRITICISM OF MEASURES PROPOSED BY LIBERAL /COUNTRY COALITION.

4. GIVEN CURRENT CAMPAIGN HEAT, MOUNTING NUMBER OF PROPOSALS AND COUNTERPROPOSALS DO NOT MERIT REPORTING IN DETAIL. IN RESPONSE TO LIBERAL/COUNTRY SEVERE LIMITED OFFICIAL USE

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CRITICISMS OF HIGH INTEREST RATES, ALP/IS STRESSING ITS INTENTIONS TO GRANT TAX REDUCTION CONCESSIONS FOR HOME MORTGAGE INTEREST PAYMENTS EFFECTIVE JULY 1 ON SLIDING SCALE FAVORING LOW INCOME GROUPS. IN RESPONSE TO LIBERAL COUNTRY COMMITMENTS TO REDUCE TAXATION, PRIME MINISTER HAS NOW PLEDGED REDUCTION IN INCOME TAX RATES FOR LOW INCOME GROUPS IN FISCAL 1975 BUDGET.

5. THE OTHER MAIN EXCHANGE HAS RELATED TO WAGE AND PRICE POLICY. PRIME MINISTER HAS PLEDGED THAT PRESENT PRICES JUSTIFICATION TRIBUNAL WOULD BE GIVEN MANDATORY POWERS TO COMPEL ADHERENCE TO ITS DECISIONS, AND JURISDICTION , CURRENTLY LIMITED TO CORPORATIONS WITH SALES EXCEEDING \$20 MILLION, WILL BE EXTENDED TO UNSPECIFIED CATEGORIES OF SMALLER-SIZED FIRMS .

SAME CONTEXT HE HAS STATED THAT AS INFLATION SLOWED DOWN UNION WAGE CLAIMS SHOULD BE MODERATED AND GOVERNMENT'S ARGUMENTS IN ARBITRATION COMMISSION CASES WOULD REFLECT THIS POSITION.

6. ON FOREIGN TRADE ISSUE, ARGUMENT OVER IMPORT DAMAGE TO AUSTRALIAN TEXTILE AND FOOTWEAR INDUSTRIES, LAUNCHED BY LIBERAL/COUNTRY CHARGES PREVIOUSLY REPORTED, HAS ESCALATED WITH STRONG INDUSTRY DEMANDS FOR TEMPORARY BAN ON ALL GARMENT IMPORTS AND GOVERNMENT DECISION TO ACTIVATE TEXTILE AUTHORITY COMMISSION WHICH WILL COLLABORATE WITH INDUSTRIES ASSISTANCE COMMISSION TO STUDY EFFECT OF TARIFF CUTS. THE NEW TEXTILE COMMISSION HAS BEEN INSTRUCTED TO MAKE IMMEDIATE STUDY AND RECOMMEND WHETHER GOA SHOULD IMPOSE QUOTAS OR REVISE TARIFFS UNDER PROVISIONS OF PROSPECTIVE GATT MULTI-FIBER AGREEMENT.

7. EMBASSY COMMENT: IN GENERAL, THE LIBERAL /COUNTRY OPPOSITION COALITION HAS BEEN STANDING PAT ON ITS ORIGINAL ECONOMIC PROPOSALS, WHILE PRESSING ITS SEVERE CRITICISM OF LABOR GOVERNMENT FOR PRESENT INFLATION. ASIDE FROM PRIME MINISTER'S MAY 2 SPEECH, FOREIGN INVESTMENT ISSUE HAS RECEIVED LITTLE ATTENTION FROM THE PRINCIPALS, ALTHOUGH SECONDARY SPOKESMEN ON ALP LIMITED OFFICIAL USE

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SIDE HAVE CONTINUED TO TOUCH ON IT. WHILE FOREIGN INVESTMENT ISSUE APPEARS TO HAVE DROPPED TO LESS PROMINENT POSITION AS A RESULT OF PRIME MINISTER'S SHIFT TO DOMESTIC ECONOMIC MANAGEMENT ISSUES, IT REMAINS TO BE SEEN WHETHER INVESTMENT AND MULTINATIONAL ISSUE MAY AGAIN BECOME PROMINENT BEFORE CAMPAIGN ENDS. WHETHER OR NOT THIS HAPPENS, PRIME MINISTER'S PERTH INVESTMENT CONTROLS WOULD BE TIGHTENED IF ALP GOVERNMENT RETURNED MAY 18.

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